

SECTION 6: CONCLUSIONS

KPMG concludes that all functions performed by DAPS, as identified in Section 4 of this report, are appropriate for transfer. KPMG found no functions performed by DAPS that fall under the definition of national security functions provided in the legislation or Statement of Work. In addition, based on interviews and site visits with commercial and governmental entities and the industry / public entity survey, KPMG believes that the capability to perform DAPS functions exists outside of DAPS. The results of surveying industry and other Government organizations has shown that commercial or governmental entities can perform DAPS' primary functions at or below DAPS costs with comparable quality and timeliness. This section will discuss the legislative constraints to outsourcing DAPS functions, best industry and DAPS business practices, and the impact from outsourcing DAPS.

Legislative Constraints to Outsourcing Functions

The primary legislative constraint to outsourcing the functions of DAPS is Section 501 of Title 44 of the U.S. Code. The following excerpt from the 1997 edition of Section 501 outlines the relationship between the Government Printing Office and the printing function of other legislative, executive and judicial branch agencies:

“All printing, binding, and blank-book work for Congress, the Executive Office, the Judiciary, other than the Supreme Court of the United States, and every executive department, independent office and establishment of the Government, shall be done at the Government Printing Office, except-

- (1) classes of work the Joint Committee on Printing considers to be urgent or necessary to have done elsewhere; and
- (2) printing in field printing plants operated by an executive department, independent office or establishment, and the procurement of printing by an executive department, independent office or establishment from allotments for contract field printing, if approved by the Joint Committee on Printing.

Printing or binding may be done at the Government Printing Office only when authorized by law.”

Further details on printing procurement are provided later in Section 501 under the heading of “Government Publications: Printing; GPO Procurement; Executive Branch Procurement of Certain Kinds of Printing; “Printing Defined,” which states:

“(1) None of the funds appropriated for any fiscal year may be obligated for the procurement of any printing related to the production of Government publications (included printed forms), unless such procurement is by or through the Government Printing Office.

(2) Paragraph (1) does not apply to (A) individual printing orders costing not more than \$1,000, if the work is not of a continuing or repetitive nature, and, as

certified by the Public Printer, if the work is included in a class of work which cannot be provided more economically through the Government Printing Office, (B) printing for the Central Intelligence Agency, the Defense Intelligence Agency, or the National Security Agency, or (C) printing from other sources that is specifically authorized by law.

(3) As used in this section, the term ‘printing’ includes the processes of composition, platemaking, presswork, duplicating, silk screen processes, binding, microform, and the end items of such processes.”

Section 501 of Title 44 seems to indicate that the commercial procurement of printing (as defined in Section 501) must be conducted by the Government Printing Office. KPMG’s discussions with DAPS, GPO, and other Governmental agencies, indicate differences in the view as to the constitutionality of Title 44 and the interpretation of the definition of “printing.” The differences in the interpretation of term “printing” are focused on the volume of work that constitutes printing and on which equipment (offset plate and ink-based versus electronic toner-based) printing is performed.

Industry and DAPS Best Practices

During the course of this study, KPMG has identified several processes, which we believe to be “best practices.” These best practices were found within the commercial entities that participated in this review as well as within DAPS. The common denominator that exists between all of the identified best practices is that they serve to increase the entities’ value added to the customer by improving one or more key attributes of the service provided (cost, quality, or timeliness) without diminishing any other service attribute. DAPS and its customers could potentially benefit by applying some of these practices as shown below.

- Distribute and Print / Print on Demand
- Total Quality Management
- Workload Optimization
- Centralized Production Centers
- Virtual Print Shop
- Centralized Information Technology/Automation Focus
- National Network Infrastructure

Distribute and Print / Print on Demand. Both industry and DAPS have seen benefits to offering distribute and print, and print on demand, services. The distribute and print process allows organizations to send electronic files to a production plant closer to the final destination for printing. This can cut down on both postage costs and turnaround time. The print on demand process allows organizations to print hard copy materials on a just in time basis. This practice removes the need to store large volumes of printed material in warehouses. This also helps to cut down on obsolescence of printed products allowing changes to be made to documents to keep them current right up to the time they need to be printed. DAPS, through the development and implementation of the Procurement Gateway, Technical Manual Publish

On Demand System (TMPODS), and ASSIST-DOC/ASSIST-Online are implementing distribute and print, and print on demand practices albeit at the local level and not at the national level needed to realize the true benefits of these practices.

Total Quality Management. Some of the industry participants visited have instituted quality management processes at their respective organizations. For these organizations, metrics played a key role in the management of their operations. During one industry site visit, KPMG observed that the organization had flow-charted its production processes and intentionally inserted quality checkpoints within the processes. While DAPS does collect limited metrics within its organization, DAPS decentralized management structure does not currently support the implementation of standard practices organization-wide and the DWAS accounting system does not provide DAPS managers with the reports necessary to gain needed insight into their operations.

Workload Optimization. Due to the competitive nature of the commercial printing industry, organizations visited during the study were focused on optimizing workload within their respective companies. The process for optimizing workload varied from organization to organization. One company visited instituted a rapid response team that would travel to production plants to recommend changes to processes and equipment in order to maximize the sites workload. This team developed a toolkit that contained data collection and analysis tools to assist them in assessing the site. Another company visited set up a best practices manual that was used by each of its production plants. This manual allowed production plants to share improvements in processes throughout the organization.

Centralized Production Centers. Another best practice observed was that companies set up large centralized production plants operating 24 hours per day, 7 days a week. One production plant visited contained five Xerox Docutech printers each claimed to be outputting in excess of 2 million impressions per month per machine. This site received over 70% of its workload electronically and provided delivery services to ensure customers one to two day turnaround. DAPS has developed DocAccess, an electronic commerce ordering system which enables customers to request products and services provided by DAPS through a web-based application. This may in the future allow DAPS to close and consolidate underutilized sites by allowing customers to place orders from remote locations.

The centralized production plants observed by KPMG, were regionally located in areas of high customer concentration. The organizations set up a “hub and spoke” type arrangement. This still allowed for one and two-day turn around without putting expensive underutilized equipment at the customer site.

Virtual Print Shop. Companies with large production plants often serviced clients with on-site “virtual print shops” or drop boxes. These virtual print shops were staffed by a customer service representative who might have a computer with scanner connected to the main production plant. This allowed the on-site representative to process the paperwork locally and queue the job at the off-site plant for overnight production and next day delivery. This allows for better utilization of expensive printing equipment and labor.

Centralized Information Technology/Automation Focus. Most organizations visited had a division within the company that specialized in information technology and automation. One organization augmented their automation expertise through the acquisition of a technology company. These information technology divisions pooled valuable resources and expertise in order to meet customer automation requirements. This also allows the companies to align themselves better with the Chief Information Officers (CIO) at customer locations. Due to changes in technology, companies see the print industry aligning closer with the CIO than in the past.

National Network Infrastructure. Well-established national network infrastructures allow organizations to easily channel work to less utilized production plants in order to meet stringent customer turnaround requirements. In some cases this level of connectivity enabled production plants to receive up to 80% of work electronically from customers. This allows the location of the production plant to be transparent to the customer.

DAPS Organizational and Management Recommendations

DAPS management, in the past few years, has moved to a decentralized structure in an effort to empower its managers and employees in the field. While this structure may empower management, a disadvantage of the current structure is that it does not easily facilitate the sharing of best practices and optimizing of workload system-wide. This is especially apparent in the information technology area. Most industry participants had a centralized information technology group focused on providing solutions to customers company-wide. While a decentralized structure may be beneficial in empowering management to run the day-to-day operations, it may be beneficial to manage certain functions centrally where organizations-wide benefits could be achieved.

Recommendations if DAPS Functions Are Transferred

As stated at the beginning of this section, KPMG has determined that all of DAPS functions are appropriate for transfer. If the Secretary of Defense decides to transfer these functions to another entity, KPMG recommends that the following items be considered during the development of an implementation plan:

Maintain a DAPS Management Team

The DoD may benefit by maintaining a cadre of Government employees with printing experience within the DAPS organization to serve as a DoD advocate for printing and document management issues. This printing and document management team would manage DoD's printing and document management requirements and ensure that best practices are shared throughout the DoD. In addition, this team would work with agency Chief Information Officers and document management and printing decision-makers to provide a strategic

direction for the DoD's Information and Document Management function. This team could work with a contract management organization to help provide oversight to the entity performing DAPS functions and serve to leverage DoD-wide printing requirements and focus.

Transfer DAPS Functions to a Printing or Document Management Services Entity (or Entities)

As stated in Section 2, commercial industry is moving away from selling services based on "cost per page" and instead focussing on the "value per page" that their company can deliver. The "value per page" concept is centered on providing customers with full service solutions, including a full range of document management services such as print-on-demand, and distribute and print, instead of fulfilling the customer's needs on an individual requirements basis. A contract focused only on fulfilling individual customer requirements may not provide the DoD with insight into possible cost savings or process improvements (i.e. deliver information by CD-ROM instead of paper, warehouse data electronically and print on demand) since the entity performing the work will not be motivated to recommend process improvements. For this reason, KPMG recommends that if the DoD transfers DAPS functions to a printing or document management entity (or entities), the entity or entities should have a national infrastructure capable of supporting the DoD's ongoing paperwork reduction initiatives.

Potential Savings Associated with Transferring DAPS Functions

KPMG has calculated a rough order of magnitude savings of between \$28 Million and \$35 Million per year if DAPS functions are transferred to another entity or entities. These savings were calculated using the unit price ranges for large and small volume output provided by industry and GPO and the unit cost range calculated for DAPS. A cost to the Government figure for DAPS was calculated by averaging the lower and upper bounds of the unit cost range and multiplying that amount by the roughly 4.1 Billion impressions produced in FY98. A cost to the Government figure for the entities being compared to DAPS was calculated in a similar fashion. First, an average price for both small and large volume impressions was calculated after eliminating the high and low price range in both categories to account for outliers. Next, an estimated unit price for both large and small volume prices was calculated by averaging the remaining entities' price range submission and multiplying by the number of units in each category (roughly 0.7 Billion in small volume and 3.4 Billion in large volume). By summing the cost to the Government figures for small and large volume output, a total cost to the Government figure was calculated for the entities being compared to DAPS. The final step in the calculation was subtracting the DAPS cost to the Government figure from the industry/GPO cost to the Government figure and applying a 10% range to this number to establish an estimated range of annual savings.

This calculation is based solely on the potential savings associated with DAPS primary function, Electronic Output, and assumes that the entity or entities selected to perform the DAPS functions would perform the remaining functions for the same cost currently performed

by DAPS. This calculation should be refined to include implementation costs following a determination by the Government as to how DAPS functions would be transferred and the contracting strategy that would be used. In addition, based on the identified difficulties in determining DAPS unit costs and the ranges of prices provided by GPO and industry for performing DAPS functions, the cost savings calculation should be considered a rough estimate to be refined as an implementation strategy is developed.